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Regulations and Rates  
of  
Capsule Communications, Inc. f/k/a U S WATS, Inc.

This tariff includes the rates, charges, terms and conditions of service for the provision of switched intrastate telecommunications services by Capsule Communications, Inc. f/k/a U S WATS, Inc. between locations within the State of Arizona. This tariff is available for public inspection during normal business hours at the main office of Capsule Communications, Inc. f/k/a U S WATS, Inc., located at 2 Greenwood Square, Suite 275, 3331 Street Road, Bensalem, Pennsylvania 19020.

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**CHECK SHEET**

The pages listed below of this tariff are effective as of the date shown. Revised sheets contain all changes from the original tariff that are in effect as of the date indicated.

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\* - indicates pages included in this filing

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**EXPLANATION OF SYMBOLS**

Changes to this tariff shall be identified on the revised page(s) through the use of symbols. The following are the only symbols used for the purposes indicated below:

- (C) To signify changed listing, rule, or condition which may affect rates or charges.
- (D) To signify discontinued material, including listing, rate, rule, or condition.
- (I) To signify an increase.
- (M) To signify material relocated from or to another part of tariff schedule with no change in text, rate, rule or condition.
- (N) To signify new material including listing, rate, rule or condition.
- (R) To signify reduction.
- (S) To signify reissued material.
- (T) To signify change in wording of text but not change in rate, rule, or condition.

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## TARIFF FORMAT

- A. **Page Numbering** - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.
- B. **Page Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc., the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.
- C. **Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:
- 2.
  - 2.1.
  - 2.1.1.
  - 2.1.1.A.
  - 2.1.1.A.1.
  - 2.1.1.A.1.(a).
  - 2.1.1.A.1.(a).I.
  - 2.1.1.A.1.(a).I.(i).
  - 2.1.1.A.1.(a).I.(i).(1).
- D. **Check Sheets** - When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (\*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remain the same, just revised revision levels on some pages.) The tariff user should refer to the latest Check Sheet to find out if a particular page is the most current on file with the Commission.

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**SECTION 1 - DEFINITIONS**

**Access Line** - A facility arrangement which connects Customer's or Authorized User's location to the Company's network switching center.

**Additional Period** - The rate element used to bill chargeable time when a call continues beyond the Initial Period. The Additional Period starts when the Initial Period ends. Additional Period rates apply to any fraction of the time period for chargeable time beyond the Initial Period. Additional Periods vary by rate schedule and are specified in each individual rate table contained in later sections of this tariff.

**ANI** - A calling telephone number identification which is forwarded to a interexchange carrier by a LEC as a call is placed.

**Authorization Code** - A numerical code, one or more of which are available to Customers to enable them to access the Company's network, and which are used by the Company both to prevent unauthorized access to its facilities and to identify Customers for billing purposes.

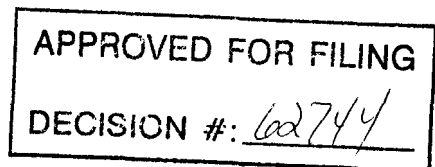
**Authorized User** - A natural person or legal entity which is authorized by the Customer to use the Company's Service under the terms and regulations of this tariff.

**Capsule** - Used throughout this tariff to refer to Capsule Communications, Inc. f/k/a U S WATS, Inc.

**Casual Calling**- Access to the Company's network and the subsequent use of Service by the Customer through the dialing of a toll-free number or access code in the format of 10XXX or 101XXXX, where the three (3) digits or the four (4) digits represented by the "X" are the unique Carrier Identification Code (CIC) assigned to the Company.

**CIC** - An interexchange carrier identification code.

**Commission** - The Arizona Corporation Commission.



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**SECTION 1 - DEFINITIONS, (CONT'D)**

**Company or Carrier** - Capsule Communications, Inc. f/k/a U S WATS, Inc. unless otherwise clearly indicated by the context.

**Customer** - A person, firm, partnership, corporation or other entity which arranges for the Company to provide, discontinue or rearrange telecommunications services on behalf of itself or others; uses the Carrier's telecommunications services; and is responsible for payment of charges, all under the provisions and terms of this tariff.

**Dedicated Access** - See Special Access

**Equal Access** - A form of dialed access provided by local exchange companies whereby telephone calls dialed by the Customer are automatically routed to the Company's network. Customers may also route calls to the Company's network by dialing an access code provided by the Company.

**Initial Period** - The initial period is the length of a call for minimum billing purposes. The initial periods vary by rate schedule and are specified in each individual rate table contained in other sections of this tariff.

**LATA** - A geographic area existing on February 8, 1996, as previously established by the U.S. District Court for the District of Columbia in Civil Action No. 82-0192, or established by a Bell operating company after February 8, 1996, and approved by the FCC.

**LEC** - Local Exchange Carrier.

**IXC** - Interexchange Carrier.

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**SECTION 1 - DEFINITIONS, (CONT'D)**

**Pay Telephone** - Telephone instruments provided by the Company, Customer, Confinement Institution or other third party for use by the transient general public. Pay Telephones permit the user to place calls to other parties and bill such calls on a non sent-paid or sent paid-basis. To facilitate sent-paid calling, Pay Telephones can be equipped with a credit card reader, coin box, or similar device that allows charges to be collected for each call at the instrument.

**PIC** - Primary interexchange carrier.

**PIC Authorization** - A Customer's or End User's selection of a PIC that meets the requirements of federal and state law.

**Primary Carrier** - The IXC designated by Customer or End User as its first routing choice and primary overflow carrier.

**Primary Carrier Service** - Outbound long distance service provided to a customer when US Capsule is selected as the Customer's Primary Carrier.

**Premises** - A building or buildings on contiguous property.

**Private Line** - A dedicated path between two locations.

**Serving Wire Center** - A specified geographic point from which the vertical and horizontal coordinate is used in calculation of airline mileage.

**Special Access** - Where originating or terminating access between the Customer and the Company is provided on dedicated circuits. A method of reaching the Company's Services whereby the Customer is connected directly to the Company's access point without utilizing the services of the local switched network.

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**SECTION 1 - DEFINITIONS, (CONT'D)**

**Switched Access** - Where access between the Customer and the Company is provided on local exchange company Feature Group circuits and the connection to the Customer is a LEC-provided business or residential access line. The cost of switched Feature Group access is billed to the Company.

**Telecommunications Device for the Deaf (TDD)** - A machine that uses the transmission of coded signals instead of verbal communications to enable hearing impaired users to communicate with each other and with non-hearing impaired individuals.

**Travel Card Call** - A service whereby the Customer or Authorized User dials all of the digits necessary to route and bill a call placed from a location other than his/her residence or normal place of business. Service is accessed via a "1-800" or other toll-free access code dialing sequence.

**V & H Coordinates** - Geographic points which define the originating and terminating points of a call in mathematical terms so that the airline mileage of the call may be determined. Call mileage may be used for the purposed of rating calls.

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**SECTION 2 - RULES AND REGULATIONS****2.1 Undertaking of Capsule Communications, Inc. f/k/a U S WATS, Inc.**

Capsule's services and facilities are furnished for communications originating and terminating within the State of Arizona under terms of this tariff. The Company's services and facilities are available twenty-four (24) hours per day, seven (7) days per week.

Capsule arranges for installation, operation, and maintenance of the communications services provided in this tariff for Customers in accordance with the terms and conditions set forth under this tariff. Capsule may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities, when authorized by the Customer, to allow connection of a Customer's location to the Capsule network. The Customer shall be responsible for all charges due for such service arrangement.

**2.2 Use**

Services provided under this tariff may be used by the Customer for any lawful telecommunications purpose for which the service is technically suited.

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**SECTION 2 - RULES AND REGULATIONS, (CONT'D)****2.3 Limitations**

- 2.3.1** Service is offered subject to the availability of the necessary facilities and/or equipment and subject to the provisions of this tariff. The Company may decline applications for service to or from a location where the necessary facilities or equipment are not available. The Company may discontinue furnishing service in accordance with the terms of this tariff.
- 2.3.2** The Company reserves the right to discontinue service when necessitated by conditions beyond its control, or when the Customer is using the service in violation of the provisions of this tariff, or in violation of the law.
- 2.3.3** The Company does not undertake to transmit messages, but offers the use of its services when available, and will not be liable for errors in transmission or failure to establish connection.
- 2.3.4** The Company reserves the right to discontinue service, limit service, or to impose requirements on Customers as required to meet changing regulatory or statutory rules and standards, or when such rules and standards have an adverse material affect on the business or economic feasibility of providing service, as determined by Capsule in its reasonable judgment.
- 2.3.5** Service may be limited or discontinued by Capsule, without notice to the Customer, by blocking traffic to certain countries, cities, or NXX exchanges, or by blocking calls using certain Authorization Codes, when Capsule deems it necessary to take such action to prevent unlawful use of its service. Capsule will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new Authorization Code to replace the one that has been deactivated.

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**SECTION 2 - RULES AND REGULATIONS, (CONT'D)****2.4 Assignment or Transfer**

All service provided under this tariff is directly or indirectly controlled by the Company and neither the Customer nor its Authorized Users may transfer or assign the use of service without the express prior written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of service. All terms and conditions contained in this tariff shall apply to all such permitted transferees or assignees, as well as all conditions of service.

**2.5 Liability**

**2.5.1** The liability of the Company for damages of any nature arising from errors, mistakes, omissions, interruptions, or delays of the Company, its agents, servants, or employees, in the course of establishing, furnishing, rearranging, moving, terminating, maintaining, restoring, or changing the service or facilities or equipment shall not exceed an amount equal to the charges applicable under this tariff (calculated on a proportionate basis where appropriate) to the period during which such error, mistake, omission, interruption or delay occurs.

**2.5.2** In no event shall the Company be liable for any incidental, indirect, special, or consequential damages (including lost revenue or profits) of any kind whatsoever regardless of the cause or foreseeability thereof.

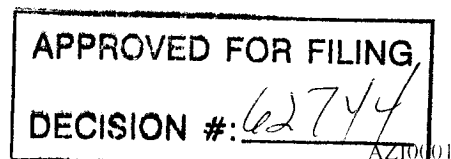
**2.5.3** When the services or facilities of other common carriers are used separately or in conjunction with the Company's facilities or equipment in establishing connection to points not reached by the Company's facilities or equipment, the Company shall not be liable for any act or omission of such other common carriers or their agents, servants or employees.

**2.5.4** The Company shall not be liable for any failure of performance hereunder if such failure is due to any cause or causes beyond the reasonable control of the Company. Such causes shall include, without limitation, acts of God, fire, explosion, vandalism, cable cut, storm or other similar occurrence, any law, order, regulation, direction, action or request of any other government or of any civil or military authority, national emergencies, insurrections, riots, wars, strikes, lockouts or work stoppages or other labor difficulties, supplier failures, shortages, breaches or delays, or preemption of existing service to restore service in compliance with the

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**SECTION 2 - RULES AND REGULATIONS, (CONT'D)****2.5 Liability, (cont'd)**

- 2.5.5 The Company shall not be liable for interruptions, delays, errors, or defects in transmission, or for any injury whatsoever, caused by the Customer, the Customer's agents, or Authorized Users, or by facilities or equipment provided by the Customer.
- 2.5.6 The Company shall not be liable for any claim, loss, or refund as a result of loss, theft or fraudulent use of Authorization Codes or Personal Identification Numbers issued for use with the Company's services.
- 2.5.7 The Customer shall indemnify, defend and hold harmless the Company (including the costs of reasonable attorney's fees) against:
- (a) Claims for libel, slander, infringement of copyright or unauthorized use of any trademark, trade name or servicemark arising out of the material, data, information, or other content transmitted over the Company's facilities or equipment;
  - (b) Claims for patent infringement arising from combining or connecting the Company's facilities or equipment with facilities, equipment, apparatus or systems of the Customer; and
  - (c) All other claims (including, without limitation, claims for damage to any business or property, or injury to, or death of, any person) arising out of any act or omission of the Customer, the Customer's agents or Authorized Users, in connection with any service or facilities or equipment provided by the Company.

**2.6 Minimum Period**

The minimum period for which services are provided and for which rates and charges are applicable is one (1) month unless otherwise specified in this tariff or by mutually agreed upon contract. When a service is discontinued prior to the expiration of the minimum period, charges are applicable, whether the service is used or not.

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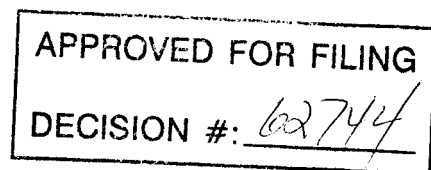
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**SECTION 2 - RULES AND REGULATIONS, (CONT'D)****2.7 Billing and Payment for Service****2.7.1 Responsibility for Charges**

Charges for installations, service connections, moves, and rearrangements, where applicable, are payable upon demand to the Company or its authorized agent. Billing thereafter will include recurring charges and actual usage as defined in this tariff.

The Customer is responsible for payment of all charges for services and equipment furnished to the Customer for transmission of calls via the Company. In particular and without limitation to the foregoing, the Customer is responsible for any and all cost(s) incurred as the result of:

- (a) any delegation of authority resulting in the use of his or her communications equipment and/or network services which result in the placement of calls via the Company;
- (b) any and all use of the service arrangement provided by the Company, including calls which the Customer did not individually authorize;
- (c) any calls placed by or through the Customer's equipment via any remote access feature(s);
- (d) any calls placed via the Company's Travel Service as a result of the Customer's intentional or negligent disclosure of Authorization Codes or PIN numbers assigned to the Customer; and
- (e) any and all calls placed to an toll-free (e.g., 800, 888) service number provided to the Customer by the Company.



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**SECTION 2 - RULES AND REGULATIONS, (CONT'D)****2.7 Billing and Payment for Service, (cont'd)****2.7.2 Payment for Service**

All charges due by the Customer are payable to the Company or any agent duly authorized to receive such payments. The billing agent may be the Company, a local exchange telephone company, credit card company, or other billing service. Terms of payment shall be according to the rules and regulations of the agent and subject to the rules of regulatory bodies having jurisdiction. Any objections to billed charges must be promptly reported to the Company or its billing agent. Adjustments to Customers' bills shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate.

Unless otherwise specified below, services provided by the Company are billed in arrears directly to the Customer on a monthly basis.

**2.7.3 Late Payment Fees**

The Company reserves the right to assess a late payment fee of 1.5% per month on any past due balance. A balance is considered past due if unpaid twenty-five (25) days following the date of the bill listing amounts owed by the Customer. Any applicable late payment fees will be assessed according to the terms and conditions of the Company or its billing agent.

**2.7.4 Return Check Charge**

A return check charge of \$25 .00 will be assessed for checks returned for insufficient funds. Any applicable return check charges will be assessed according to the terms and conditions of the billing entity (i.e. local exchange company and/or commercial credit card company) and pursuant to Commission regulations.

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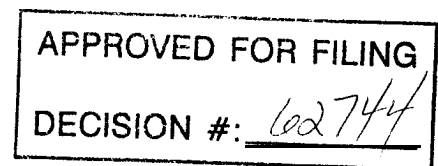
**SECTION 2 - RULES AND REGULATIONS, (CONT'D)**

**2.8 Deposits**

The Company does not collect deposits for services provided to its Customers.

**2.9 Advance Payments**

The Company does not collect advance payments for services provided to its customers.



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**SECTION 2 - RULES AND REGULATIONS, (CONT'D)****2.10 Taxes and Fees**

- 2.10.1** All state and local taxes (i.e., gross receipts tax, sales tax, municipal utilities tax) are listed as separate line items on the Customer's bill and are not included in the quoted rates and charges set forth in this tariff. To the extent that a municipality, other political subdivision or local agency of government, or Commission imposes upon and collects from the Company a gross receipts tax, occupation tax, license tax, permit fee, franchise fee, or regulatory fee, such taxes and fees shall, insofar as practicable and allowed by law, be billed pro rata to Customers receiving service from the Company within the territorial limits of such municipality, other political subdivision or local agency of government.
- 2.10.2** The Company may adjust its rates and charges or impose additional rates and charges on its Customers in order to recover amounts it is required by governmental or quasi-governmental authorities to collect from or pay to others in support of statutory or regulatory programs. Examples of such programs include, but are not limited to, the Universal Service Fund (USF), the Presubscribed Interexchange Carrier Charge (PICC), and compensation to pay telephone service providers for the use of their pay telephones to access the Company's service.

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**SECTION 2 - RULES AND REGULATIONS, (CONT'D)****2.10 Taxes and Fees (cont'd)****2.10.3 Pay Telephone Surcharge**

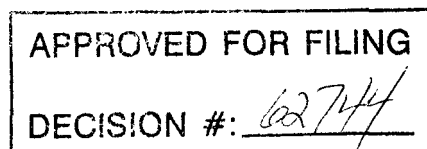
In order to recover the Company's expenses to comply with the FCC's pay telephone compensation plan effective on October 7, 1997 (FCC 97-371), an undiscountable per call charge is applicable to all interstate, intrastate and international calls that originate from any domestic pay telephone used to access the Company's services. This surcharge, which is in addition to standard tariffed usage charges and any applicable service charges and surcharges associated with the Company's service, applies for the use of the instrument used to access the Company service and is unrelated to the Company's service accessed from the pay telephone.

Pay telephones include coin-operated and coinless phones owned by local telephone companies, independent companies and other interexchange carriers. The Pay Telephone Surcharge applies to the initial completed call and any reoriginated call (i.e., using the "#" symbol).

Whenever possible, the Pay Telephone Surcharge will appear on the same invoice containing the usage charges for the surcharged call. In cases where proper pay telephone coding digits are not transmitted to the Company prior to completion of a call, the Pay Telephone Surcharge may be billed on a subsequent invoice after the Company has obtained information from a carrier that the originating station is an eligible pay telephone.

The Pay Telephone Surcharge does not apply to calls placed from pay telephones at which the Customer pays for service by inserting coins during the progress of the call.

Maximum Rate per Call                      \$0.50



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## SECTION 2 - RULES AND REGULATIONS, (CONT'D)

**2.11 Terminal Equipment**

The Company's facilities and service may be used with or terminated in terminal equipment or communications systems such as a PBX, key system, single line telephone, or pay telephone. Such terminal equipment shall be furnished and maintained at the expense of the Customer. The Customer is responsible for all costs at his or her premises, including personnel, wiring, electrical power, and the like, incurred in the use of Capsule's service. When such terminal equipment is used, the equipment shall comply with the generally accepted minimum protective criteria standards of the telecommunications industry.

**2.12 Interconnection**

- 2.12.1** Service furnished by the Company may be interconnected with services or facilities of other authorized communications common carriers and with private systems, subject to technical limitations established by the Company. Service furnished by the Company is not part of a joint undertaking with such other common carriers or systems. The Company does not undertake to provide any special facilities, equipment, or services to enable the Customer to interconnect the facilities or the equipment of the Company with services or facilities of other common carriers or with private systems.
- 2.12.2** Interconnection with the services or facilities of other common carriers shall be under the applicable terms and conditions of this tariff and the other common carrier's tariffs.
- 2.12.3** The Customer shall ensure that the facilities or equipment provided by the Customer are properly interconnected with the facilities or equipment of the Company. If the Customer maintains or operates the interconnected facilities or equipment in a manner which results or may result in harm to the Company's facilities, equipment, personnel, or the quality of service, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this written notice fails to eliminate the actual or potential harm, the Company may, upon written notice, terminate the existing service of the Customer.

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**SECTION 2 - RULES AND REGULATIONS, (CONT'D)****2.13 Inspection, Testing and Adjustment**

**2.13.1** The Company may, upon reasonable notice, make such tests and inspections as may be necessary to determine whether the terms and conditions of this tariff are being complied with in the installation, operation or maintenance of the Customer's or the Company's facilities or equipment. The Company may interrupt service at any time, without penalty or liability, due to the departure from or reasonable suspicion of the departure from any of these terms and conditions.

**2.13.2** Upon reasonable notice, the facilities or equipment provided by the Company shall be made available to the Company for such tests and adjustments as may be necessary for their maintenance in a condition satisfactory to the Company. No interruption allowance shall be granted for the time during which such tests and adjustments are made, unless such interruption exceeds twenty-four hours in length and is requested by the Customer.

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**ISSUED BY:** David Hurwitz, President  
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~~ORIGINAL~~**SECTION 2 - RULES AND REGULATIONS, (CONT'D)****2.14 Credit Allowances for Interruption of Service**

- 2.14.1** Credit allowances for interruptions of service of more than two (2) hours which are not due to the Company's testing or adjusting, to the negligence of the Customer, or to the failure of channels, equipment and/or communications systems provided by the Customer, are subject to the general liability provisions set forth in this tariff. No credit is issued for outages less than two hours in duration.

It shall be the obligation of the Customer to notify the Company immediately of any interruption in service for which a credit allowance is desired by the Customer. Before giving such notice, the Customer shall ascertain that the trouble is not within his or her control, or is not in wiring or equipment, if any furnished by the Customer and connected to the Company's terminal.

Interruptions caused by Customer-provided or Company-provided automatic dialing equipment are not deemed an interruption of service as defined herein since the Customer has the option of using a long distance service via LEC access. Credit is issued for monthly recurring charges only; no credit is given for usage-sensitive charges. Outage credit is calculated in two-hour intervals. The amount of the credit determined by pro-rating the monthly recurring charge for the time of the outage.

- 2.14.2** Cellular (wireless) transmission is subject to interruptions including but not limited to, dropped calls, interrupted calls, unintelligible calls, one way audio and other problems created by factors beyond Capsule's ability to control. Further, cellular (wireless) transmission may be unsuitable for cellular to cellular voice mail retrieval, or cellular to cellular answering machine message retrieval, or the use of other devices in the cellular to cellular environment. Therefore, under no circumstances will Capsule provide credit or payment of any kind for calls which experience problems related to cellular (wireless) transmissions.

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**SECTION 2 - RULES AND REGULATIONS, (CONT'D)****2.15 Cancellation by the Customer**

The Customer may have service discontinued upon written notice to the Company. The Company shall hold the Customer responsible for payment of all bills for service furnished until the cancellation date specified by the Customer or until the date that the written cancellation notice is received, whichever is later. Additional charges may apply for service cancelled prior to the end of the minimum period as specified in Section 2.6 of this tariff.

**2.16 Refusal or Discontinuance by the Company**

Service continues to be provided until canceled by the Customer, in writing, or until discontinued by the Company as set forth below. The Company may render bills subsequent to the termination of service for charges incurred before termination.

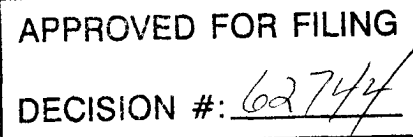
Capsule may refuse or discontinue service under the following conditions provided that, unless otherwise stated, the Customer shall be given five (5) days notice to comply with any rule or remedy any deficiency:

**2.16.1** For noncompliance with or violation of any State, municipal, or Federal law, ordinance or regulation pertaining to telephone service.

**2.16.2** For noncompliance with or violation of Commission regulation or Capsule's rules and regulations on file with the Commission.

**2.16.3** Without notice by reason of any order or decision of a court or other government authority having jurisdiction which prohibits Company from furnishing such services.

**2.16.4** For failure of the Customer to make proper application for service or for use of telephone service for any other property or purpose than that described in the application.



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## SECTION 2 • RULES AND REGULATIONS, (CONT'D)

**2.16 Refusal or Discontinuance by the Company, (cont'd)**

- 2.16.5** Without notice in the event of tampering with the equipment or services owned by Capsule or its agents.
- 2.16.6** Without notice in the event of Customer use of equipment or services in such a manner as to adversely affect the Company's equipment or the Company's service to others.
- 2.16.7** For neglect or refusal to provide reasonable access to Capsule or its agents for the purpose of inspection and maintenance of equipment owned by Capsule or its agents.
- 2.16.8** For nonpayment of bills, provided that suspension or termination of service shall not be made without five (5) days written notice to the Customer, except in extreme cases.
- 2.16.9** Without notice for unauthorized or unlawful use of Travel Service numbers and Authorization Codes. Travel Service numbers and Authorization Codes are issued only by the Company to the Customer and may not be sold or otherwise distributed without the written consent of the Company.
- 2.16.10** Without notice in the event of any other unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, Capsule may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenues resulting from such fraudulent use.
- 2.16.11** For Customer's breach of contract for service between the Company and the Customer.
- 2.16.12** For periods of inactivity over sixty (60) days.

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**SECTION 2 - RULES AND REGULATIONS, (CONT'D)****2.17 Restoration of Service**

If service has been discontinued for nonpayment or as otherwise provided herein and the Customer wishes it continued, service shall, at the Company's discretion, be restored when all past due amounts are paid or the event giving rise to the discontinuance (if other than nonpayment) is corrected. A restoration fee of \$25.00 applies to Customers whose service is restored following disconnection by the Company.

**2.18 Toll-Free Numbers**

The following additional regulations apply to Inbound Long Distance **Services when offered** by the Company:

**2.18.1** The Company will make every effort to reserve toll-free vanity numbers (e.g., 800, 888) on behalf of Customers, but makes no guarantee or warrantee that the requested toll-free number(s) will be available or assigned to the Customer requesting the number.

**2.18.2** If a Customer accumulates undisputed past-due charges, the Company reserves the right not to honor the Customer's request for a change in toll-free service to another carrier (e.g., "porting" of the toll-free number), including a request for a Responsible Organization (Resp Org) change, until such time as all charges are paid in full.

**2.18.3** Capsule shall not be liable at all for the use, misuse, or abuse by third parties of a toll-free number assigned to a Customer or toll-free number service provided to a Customer, including, without limitation, use, misuse or abuse by the Customer's employees or members of the public who dial the Customer's toll-free number by mistake.

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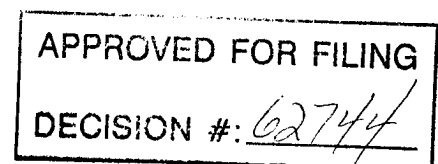
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**SECTION 3 - SERVICE DESCRIPTIONS AND RATES****3.1 General**

- 3.1.1** Capsule offers outbound direct dial (1+) and inbound toll-free (e.g., 800 or 888) number long distance services to its Customers. The Company's long distance service charges may vary based upon call duration, time of day rate period, mileage, call type, and or calling plan. Other services offered by the Company include, but are not limited to, directory assistance and travel card services. All Capsule services are available 24 hours a day, seven days a week.
- 3.1.2** Access to the Company's outbound and inbound long distance services may be via Switched or Special Access. Outbound direct dial services are offered as Primary Carrier Service from locations served with equal access end offices.
- 3.1.3** Special Access Lines, if utilized, are provided and billed to the Customer by the Company or by another special access provider. Charges for Special Access Lines are determined by the special access provider.
- 3.1.4** The Company's Travel Card services are offered for use from any location from which the Customer can reach the Company's toll-free access number.



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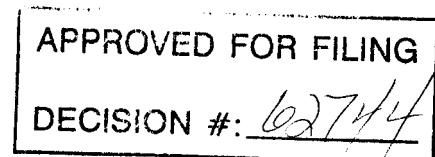
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**SECTION 3 - SERVICE DESCRIPTION AND RATES, (CONT'D)****3.2 Timing of Calls**

Billing for calls placed over the Capsule network is based in part on the duration of the call as follows, unless otherwise specified in this tariff:

- 3.2.1** Call timing begins when the called party answers the call (i.e., when two way communications are established.) Answer detection is based on standard industry answer detection methods, including hardware and software answer detection.
- 3.2.2** Chargeable time for calls ends when one of the parties disconnects from the call.
- 3.2.3** For billing purposes, minimum call duration periods vary by service and are specified by product or option in subsequent sections of this tariff.
- 3.2.4** For billing purposes, usage after the initial period varies by service and is specified by product or option in subsequent sections of this tariff.
- 3.2.5** The Company will not bill for unanswered calls. When a Customer indicates that he/she was billed for an incomplete call, Capsule will reasonably issue credit for the call.



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**SECTION 3 - SERVICE DESCRIPTION AND RATES, (CONT'D)****3.3 Rate Periods**

3.3.1 Unless otherwise specified in this tariff, the following rate periods apply to all services subject to time of day discounts:

	MON	TUES	WED	THUR	FRI	SAT	SUN
8:00 AM TO 5:00 PM*	DAYTIME RATE PERIOD					EVE	
5:00 PM TO 11:00 PM*	EVENING RATE PERIOD						
11:00 PM TO 8:00 AM*	NIGHT/WEEKEND RATE PERIOD						

\* Up to but not including.

**3.3.2 Holiday Rates**

For services subject to holiday discounts, the following are Company recognized national holidays, determined at the location of the calling station. The evening rate is used on national holidays, unless a lower rate normally would apply.

New Year's Day	January 1
Independence Day	July 4
Labor Day	1 st Monday in September
Thanksgiving Day	4th Thursday in November
Christmas Day	December 25

3.3.3 When the connection is established in one rate period and ends in another, the rate for each rate period applies to the portion of the call occurring within that rate period. In the event that an initial or incremental period of use is split between two rate periods, the rate in effect at the start of that period applies.

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**SECTION 3 - SERVICE DESCRIPTION AND RATES, (CONT'D)****3.4 Calculation of Distance**

Usage charges for all mileage sensitive products are based on the airline distance between serving wire centers associated with the originating and terminating points of the call.

The serving wire centers of a call are determined by the area codes and exchanges of the origination and destination points.

The distance between the Wire Center of the Customer's equipment and that of the destination point is calculated by using the "V" and "H" coordinates found in BellCore's V&H Tape and NECA FCC Tariff No. 4.

- Step 1 - Obtain the "V" and "H" coordinates for the Wire Centers serving the Customer and the destination point.
- Step 2 - Obtain the difference between the "V" coordinates of each of the Wire Centers. Obtain the Difference between the "H" coordinates.
- Step 3 - Square the differences obtained in Step 2.
- Step 4 - Add the squares of the "V" difference and "H" difference obtained in Step 3.
- Step 5 - Divide the sum of the square obtained in Step 4 by ten (10). Round to the next higher whole number if any fraction results from the division.
- Step 6 - Obtain the square root of the whole number obtained in Step 5. Round to the next higher whole number if any fraction is obtained. This is the distance between the Wire Centers.

Formula:

$$\sqrt{\frac{(V_1 - V_2)^2 + (H_1 - H_2)^2}{10}}$$

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**SECTION 3 - SERVICE DESCRIPTION AND RATES, (CONT'D)****3.5 Discount Programs****3.5.1 Volume Discount Plan**

Services offered by Capsule may be subject to volume discounts. A Customer is assigned a Discount Option based on average monthly usage charges anticipated by the Customer for all services provided by the Company. For new customers, Capsule reserves the right to request copies of past bills in order to verify Customer statements regarding anticipated usage volumes. Usage rates for services subject to volume discounts are reduced by a percentage as shown in the following table based on the Discount Option assigned to the Customer.

Discount Option	Anticipated Intrastate, Interstate and International Charges	Applicable Discount
1	\$50.00 up to \$149.99	5%
2	\$150.00 up to \$249.99	10%
3	\$250.00 up to \$499.99	15%
4	\$500.00 up to \$749.99	20%
5	\$750.00 up to \$999.99	25%
6	\$1000.00 up to \$1499.99	30%
7	\$1500.00 up to \$1999.00	35%
8	\$2000.00 or greater	40%

A re-evaluation of an existing Customer's volume level and applicable Discount Option may result from 1) a written request from the Customer with re-evaluation performed by the Company within sixty days of receipt of request or 2) at the Company's discretion. Capsule reserves the right to periodically audit Customers' usage volumes based on past billing and adjust Customer rates accordingly. Customers not meeting their initial anticipated volume level for a specific service will be given the option of continuing service under another Discount Option or discontinuing the Company's service.

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**SECTION 3 - SERVICE DESCRIPTION AND RATES, (CONT'D)****3.5 Discount Programs (cont'd)****3.5.2 Term Discounts**

Customers who agree to use the Company's services may obtain additional discounts by committing to subscribe to service for fixed periods of time. The percentage discount applied to the Customer's bill varies by year during the term period as shown in the following table:

Length of Term	Applicable Discount Percentage		
	1st Year	2nd Year	3rd Year
12 Months	3%	N/A	N/A
24 Months	3%	6%	N/A
36 Months	3 %	6%	9%

Term discounts are calculated after any volume discounts have been applied to the customer's usage charges. A credit will be applied to the Customers bill at the end of each billing period equivalent to a percentage of total service-specific charges based on the preceding table.

Customers who cancel service under a Term Discount Plan prior to the end of the term period are subject to an early termination charge. This charge shall be equal to the Customer's average monthly billing prior to cancellation multiplied by the number of months remaining in the term. The entire termination charge is billed to the Customer in the month immediately following discontinuance of service.

A Customer changing to a Term Discount Plan of greater length than its current plan will not incur an early termination charge for the existing shorter term plan.

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**SECTION 3 - SERVICE DESCRIPTION AND RATES, (CONT'D)****3.6 Outbound Long Distance Service**

Capsule's Outbound Long Distance Service is a "1+" direct dial service available for Customer use 24 hours a day, seven days a week. Intrastate service is sold in conjunction with interstate and international service.

Calls are placed via Switched Access origination from Customer local exchange access lines presubscribed to the Capsule network or that of its underlying carrier. The Customer is responsible for obtaining suitable access from its local exchange carrier. All costs incurred in the installation and use of local access lines is the responsibility of the Customer.

**3.6.1 Rate Plan 1**

Volume and Term Discounts apply to Outbound Long Distance Services offered under Rate Plan 1.

**MONTHLY RECURRING CHARGES:**

The following charge applies to each Customer account on a monthly basis. This charge will be waived for Customers whose total usage during the current month exceeds \$20.00. Interstate, international and intrastate usage charges are combined for purposes of determining if waiver of this monthly recurring charge is applicable.

Maximum Per Customer Account	\$5.00
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**USAGE CHARGES:**

For billing purposes, call timing is rounded up to the next six (6) second increment following a minimum initial period of thirty (30) seconds.

Maximum Per Minute Rate	\$0.30
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**SECTION 3 - SERVICE DESCRIPTION AND RATES, (CONT'D)****3.7 Inbound Long Distance Service**

Capsule's Inbound Long Distance Service is an toll-free number (e.g., 800, 888) service available for Customer use twenty-four (24) hours a day, seven (7) days a week. Intrastate service is sold in conjunction with interstate service.

Calls are received via Switched Access termination to Customer local exchange access lines. The Customer is responsible for obtaining suitable access from its local exchange carrier. All costs incurred in the installation and use of local access lines is the responsibility of the Customer.

**3.7.1 Rate Plan 1**

Volume and Term Discounts apply to Inbound Long Distance Services offered under Rate Plan 1.

**MONTHLY RECURRING CHARGES:**

Maximum Per Toll-Free Directory Listing	\$15.00
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**USAGE CHARGES:**

For billing purposes, call timing is rounded up to the next six (6) second increment following a minimum initial period of thirty (30) seconds.

Maximum Per Minute Rate	\$0.30
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**SECTION 3 - SERVICE DESCRIPTION AND RATES, (CONT'D)****3.8 Travel Card Service**

Capsule's Travel Card Service is offered to Customers of Capsule Outbound or Inbound Long Distance Services or as a stand alone service. Travel Card Service allows Customers to place without operator assistance from locations other than their normal place of business or residence. Service is offered 24 hours a day, seven days a week to all valid terminating locations. Intrastate service is sold in conjunction with interstate and international service.

Access to Capsule's Travel Service is via a toll-free number dialed by the Customer. The Customer must input a valid Authorization Code in addition to the destination number with area code in order to place a call.

**3.8.1 Rate Plan 1**

Volume and Term Discounts apply to Travel Services offered under Rate Plan 1.

**MONTHLY RECURRING CHARGES:**

Not Applicable

**PER CALL SERVICE CHARGES:**

Maximum Per Call **\$0.40**

**USAGE CHARGES:**

For billing purposes, call timing is rounded up to the next six (6) second increment following a minimum initial period of thirty (30) seconds.

Maximum Per Minute Rate **\$0.30**

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**SECTION 3 - SERVICE DESCRIPTION AND RATES, (CONT'D)****3.9 Directory Assistance**

Directory Assistance is available to Customers of Capsule long distance services. A Directory Assistance charge applies to each call to the Directory Assistance Bureau. One request may be made on each call to Directory Assistance. A Directory Assistance charge applies to each call to the Directory Assistance Bureau. The Directory Assistance charge applies to each call, regardless of whether the Directory Assistance Bureau is able to furnish the requested telephone number.

Maximum Per Directory Assistance Call

\$1.00

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**SECTION 4 - PROMOTIONS****4.1 General**

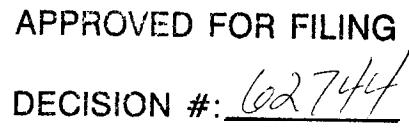
From time to time, the Company shall, at its option, promote subscription or stimulate network usage by offering to waive some or all of the nonrecurring or recurring charges for the Customer (if eligible) of target services for a limited duration. Such promotions shall be made available to all similarly situated Customers in the target market area and will comply with all applicable Commission regulations.

**4.2 Demonstration of Service**

From time to time the Company may demonstrate service for potential customers by providing free use of its network on a limited basis for a period of time, not to exceed one (1) month. Demonstration of service and the type and duration of service provided will be at the Company's discretion.

**4.3 Comparable Pricing Promotion**

Capsule will, at its discretion, match certain standard or promotional offerings of other interexchange carriers or resellers in order to acquire new Customers or retain existing Customer accounts. The Customer must demonstrate to the Company's satisfaction that 1) an alternative service offering is valid and currently available from a competing interexchange carrier or reseller and 2) the Customer intends to either subscribe to or remain subscribed with the competing interexchange carrier or reseller.



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**SECTION 5 - CURRENT PRICE LIST****5.1 Pay Telephone Surcharge:**

Per Call \$0.35

**5.2 Outbound Long Distance Service****5.2.1 Rate Plan 1**

Monthly Recurring Charges: \$1.99 per Month  
Usage Charges: \$0.15 per Minute

**5.3 Inbound Long Distance Service****5.3.1 Rate Plan 1**

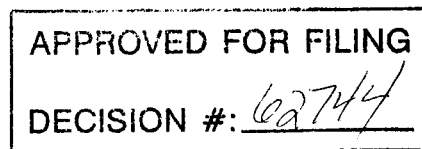
Monthly Recurring Charges: \$10.00 per Toll-free Listing  
Usage Charges: \$0.15 per Minute

**5.4 Travel Card Service****5.4.1 Rate Plan 1**

Per Call Service Charge: \$0.40 per Call  
Usage Charges: \$0.30 per Minute

**5.5 Directory Assistance**

Per Directory Assistance Call \$0.65



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